March 20, 1952

MULTIPLE CROP INSURANCE FOR 1953

SUMMARY OF MAJOR PROGRAM PROVISIONS

Multiple crop insurance provides protection to the insured against loss on his insurable crops due to unavoidable causes such as drought, flood, hail, insect infestation, plant disease, winter-kill, etc. The insured is protected on annual crops each year generally from the time of seeding to the completion of harvest. For crops other than annuals the protection extends generally over the growing period. Only one application and one policy is needed by a producer for all his operations in a county.

In the multiple crop program a farmer insures all of his insurable crops under one contract and the protection offered is against loss from all insured crops combined. This plan thus gives the diversified farmer protection against the loss of the major part of his total investment in most of his crops rather than against a smaller part of his total investment which may be represented by some one or two crops on which insurance has heretofore been provided. Availability of multiple crop insurance places the farmer, who is in a diversified farming area where the farm income is derived from several crops on a comparable basis from the standpoint of crop insurance protection with the farmer in a one-crop area, who, by taking insurance on that crop alone, can insure a major part of his total investment.

A coverage is established in dollars for the insurance unit based on the number of acres planted to the various insured crops. If the value (based on the predetermined prices shown on the county actuarial table) of the production of all insured crops is less than the coverage, the difference is the amount of the indemnity. In the case of most commodities, provision is made for quality protection where the quality of the commodity is so low that it will not qualify or cannot be put in condition to qualify for a CCC loan or support. In other cases, such as cotton and dry edible beans, quality protection is provided by adjusting the total production to meet established standards.

The premium is based on the number of acres and interest in each insured crop, the risks on the various crops, and the extent of diversification. In order to avoid the inconvenience of periodic renewal the policy has no termination date and will continue in effect from year to year until canceled by either the insured or the Corporation. For the protection of both the insured and the Corporation, the policy specifies a final date for each county for cancellation by either party for any crop year. However, if on the cancellation date the insured owes any part or all of a past-due premium the time during which the Corporation may cancel is extended to the closing date. Notices of changes, if any, in the contract will be mailed to the insured at least 15 days prior to the cancellation date. The major provisions of the program are outlined below.

Crops to be Insured

The crops to be insured will be shown on the rider to the policy. The insurable crops named in each county are those which comprise the major source of crop income.

Establishing Coverages and Rates

The coverage for any insurable crop will probably be the same for all farms in the county for which insurance will be accepted. However, if warranted, because of varying production and risks, separate areas for coverages and premium rate purposes may be established in the county, in which case all acreage situated within the same area will have the same coverage and premium rate. Coverages and rates will not be established for extremely low yielding farms or for farms for which the risk appears to be excessive.

The coverage will be established at a level which will protect the farmer against the loss of the major part of his total investment in his crops. The Federal Crop Insurance Act limits the coverage in a general way to the investment in the crop. Only one level of insurance will be offered.

Progressive Coverage

Since the Federal Crop Insurance Act limits the coverage to the investment in the crop, the coverage for each crop will be arranged in progressive amounts. Generally there will be two amounts for each crop with the lower amount applying to acreage destroyed and replanted to a substitute crop and the higher amount applying to acreage not planted to a substitute crop, thus providing for an increase in the protection as the farmer's investment in the crop increases. A few crops such as cotton and sugar beets will have three or four progressive amounts. In the case of cotton, the final stage coverage is not reached unless an amount of cotton is harvested which is equal in value to 10% or more of the coverage.

Valuing Production

Where the insured crops are harvested, the actual production of all insured crops is valued at the predetermined prices and the total value compared with the coverage to determine whether a loss has occurred. For acreage released, the production is appraised on the assumption that favorable conditions will prevail until harvest time. However, all of this appraisal is not counted and quite frequently none is counted. An allowance is established for each crop and only that portion of the appraisal in excess of the allowance is counted as production. The allowance for each stage is determined by subtracting the coverage for that stage from the coverage in the last stage and dividing the result by the predetermined price per unit. For example, if the coverage on a crop in the last stage were $21.00 per acre, the coverage in the first stage $10.50 and the predetermined price for that crop $1.50 per bushel, the allowance in the first stage on that crop would be 7 bushels per acre: ($21.00 - $10.50) ÷ $1.50.

In connection with sugar beets, any abandonment payment made under the Sugar Act of 1948 shall be counted as production, but not in excess of the reduced coverage for the acreage.

Insured Acreage

Promptly after planting the insured producer is required to file an acreage report(s) which shows his acreage seeded to each insured crop. The contract covers all insurable acreage (acreage for which coverages are established)

planted to each insured crop in the county, in which the insured has a share, except such cases as (1) acreage planted too late to expect to produce a normal crop or (2) acreage not replanted to the insured crop when it is practicable to replant.

Insurance Unit

While one policy covers all of the insured's farming operations in the county, whether he has one farm or several farms, losses are settled separately on each insurance unit. An applicant elects on his application to have his contract on either a combination unit basis or an individual unit basis. For any crop year the insured may change from or to a combination unit basis by notifying the Corporation in writing prior to the applicable cancellation date.

On the combination unit basis all of the operations of the insured, regardless of his share, are combined into a combination unit. In following this plan an insured generally secures a lower premium than if he had more than one individual unit.

On the individual unit basis it is necessary to consider producers in four groups -- owner-operator, landlord, share tenant and sharecropper -- in determining the acreage which constitutes an insurance unit.

Because of the different farming arrangements that exist for the various areas, it is important that the definition of "Share Tenant" and "Sharecropper" be understood. A "Share Tenant" is an individual who rents land for a share of the crop and works a crop with workstock and equipment furnished by himself. A "Sharecropper" is an individual who works a farm under the supervision of the operator with workstock and equipment furnished by another person and receives a share (regardless of the amount of the share) of the crop produced.

Land rented for cash or for a fixed commodity payment is considered as owned by the lessee. Insurance units are determined in the following manner based on the insured's interest at the time of planting:

(1) For an owner-operator, all insurable acreage in which he has 100 percent interest in the crop(s) plus any acreage owned by him and worked for him by sharecroppers is one insurance unit. (An applicant could have only one unit of this type.)

(2) For a landlord, all insurable acreage owned by him and rented to one share tenant is one insurance unit. (A landlord would have as many units of this type as he has share tenants.)

(3) For a share tenant, all insurable acreage owned by one person and worked by the share tenant with his own labor, wage hands or sharecroppers is one insurance unit. (A share tenant would have as many units of this type as he has landlords.)

(4) For a sharecropper, all insurable acreage in a county worked by him and owned by one person is one insurance unit. (If a sharecropper has cotton planted on land owned by different persons, the land owned by each person would constitute an insurance unit for the sharecropper.)

Premium

An insured may obtain a 25 percent reduction in premium based on good experience where he has had seven consecutive years of insured crops without a loss. A discount of 5 percent will be allowed on any annual premium which is paid in full on or before the applicable discount date shown in the policy, provided the insured files his acreage report(s) on or before the discount date. In signing the application, the applicant executes a note for the premium for each crop year of the contract. If the discount for early payment is not taken, the note matures on the date shown in the policy. A three percent charge for interest will be made on all premium payments not made on or before a date following maturity, which is generally October 31, and an additional one percent will be added on the principal amount unpaid at the end of each two calendar month period thereafter.

Collateral Assignment

The applicant may make a collateral assignment against his multiple crop insurance policy. The collateral assignment may be used as security in obtaining a bank loan, seed and fertilizer loan or to secure other forms of indebtedness.

Notice of Loss

A notice of damage is to be filed by the insured producer immediately after any material damage to any insured crop has occurred. In addition, the insured will also be required to file a notice of loss upon completion of harvest if a loss has occurred. If this notice is not given within 15 days after harvesting is completed, or the latest date for the end of the insurance period for any crop insured under the contract, the Corporation reserves the right to reject the claim.

Closing Dates

Closing dates for filing applications for insurance are established for each county either as a fall or spring date depending on the relative importance of insurable crops normally planted in the fall. However, in a few counties where fall planted crops are of sufficient importance to otherwise justify a fall closing date, the closing date is established in the spring because of the desirability of conducting a spring sales campaign. In order for insurance to attach to fall planted crops in these counties the first crop year of the contract, the application must be filed by an appropriate fall date stated in the county rider for the crop in question.

Minimum Participation

Legislation provides that multiple crop insurance shall not be provided in any county unless written applications for insurance are filed which cover at least 200 farms or one-third of the farms producing the insurable commodities, whichever is the lower. Each insurance unit will be counted as one farm in meeting this requirement.

Changes in Program for 1953

With the exception of a few minor changes the program for 1953 is essentially the same as operated in 1952. The specific changes made beginning with the 1953 crop year, some of which are included in the above, are as follows:

a. The time during which the Corporation may cancel is extended to the closing date in any case where there is an amount owed by the insured to the Corporation on the cancellation date.

b. The insured must elect to have a combination insurance unit or individual insurance units under his contract by the cancellation date rather than the closing date as in past years. This change is necessitated by the fact that the number of counties which have a fall cancellation date and a spring closing date is increasing, and to extend to the insured the right to elect as late as the spring closing date to have individual units would, in cases where fall crops are involved, increase the possibility of adverse selectivity.

c. That section of the regulations which deals with the substitution of successors-in-interest in cases where the insured dies, disappears, or is declared incompetent is deleted beginning in 1953. An additional section is included in the policy for 1953 which provides that the contract shall terminate upon death or judicial declaration of incompetence of the insured in cases where such death or declaration of incompetence occurs before the beginning of planting of crops to be covered by the contract. Successors-in-interest will obtain insurance in these cases by filing an application in the usual manner. The closing date will be waived by the Corporation for successors-in-interest (heir(s), administrator, executor, guardian, committee or conservator) in meritorious cases where the interest of the insurance program is not endangered.

d. That section of the regulations which deals with the rounding of fractional units is deleted beginning with 1953. This is consistent with a policy established first in connection with wheat that the details of rounding fractional units will not be covered in the regulations and policies beginning with 1953, but would be handled in the various administrative procedures concerned.

e. Stages of production for cotton under the program are changed to provide that the coverage will be reduced as follows: (1) 60 percent for any acreage which is released because of damage occurring prior to laying the crop by, and (2) 25 percent for any acreage which is laid by and not harvested.